Concorp

ComputrΣx Centres Ltd.

YEAR ENDED MARCH 31, 1975.

File

ANNUAL REPORT

DIRECTORS

G. MARTIN KERNAHAN
BERNARD MARTENS
H. PETER SIMON
NEIL S. THOMPSON
CLIFFORD N. DOWNING

OFFICERS

G. MARTIN KERNAHAN, President & Chairman of the Board
BERNARD MARTENS, Vice-president & Secretary-treasurer

EXECUTIVE OFFICES

2000 Elveden House
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

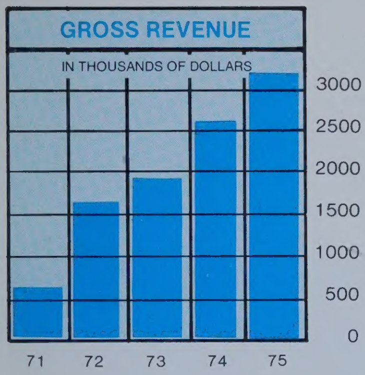
The Royal Trust Company
Vancouver, B.C.
Calgary, Alberta

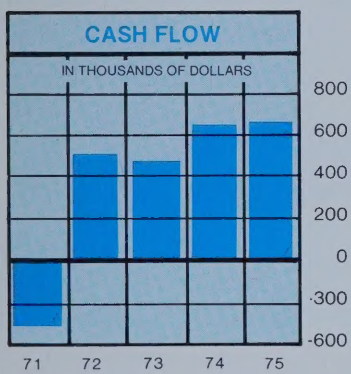
AUDITORS

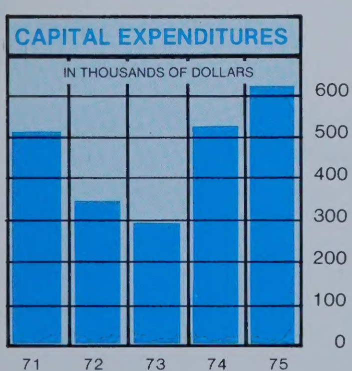
Peat, Marwick, Mitchell & Co.
Calgary, Alberta

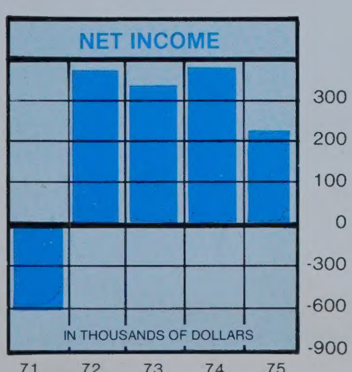
DISTRICT OFFICES

Western Canada	Eastern Canada
1652 West 8th Avenue Vancouver, B.C.	16 Lesmill Road Don Mills, Ontario
10340 - 124 Street Edmonton, Alberta	424 Queen Street Ottawa, Ontario
727 - 7th Avenue S.W Calgary, Alberta	2750 Chemin Ste. Foy Ste. Foy, Quebec
818 Portage Avenue Winnipeg, Manitoba	Place Bonaventure Montreal, Quebec









1975 HIGHLIGHTS

- COM service in all eight branches.
- Asset base established for future COM revenue.
- Lease agreement signed for 6 COM systems.
- Record gross revenue for fifth straight year.
- Record pre-tax cash flow.
- Established personnel incentives remuneration plan
- Achieved 20% ownership in Lake Louise Lifts Ltd.

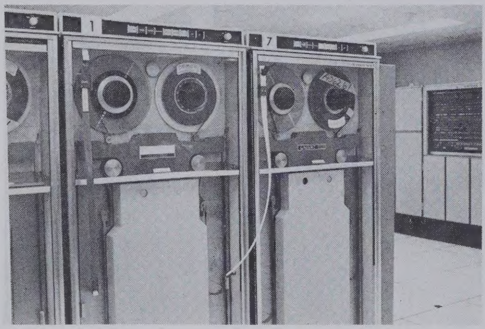
5 YEAR REVIEW

(THOUSANDS OF DOLLARS)

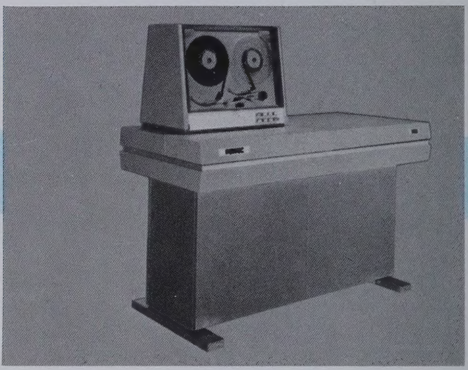
financial results	1975	1974	1973	1972	1971
Gross revenue, before lease equipment amortization	$3,181	$2,622	$1,894	$1,669	$ 676
Pre-tax cash flow, before lease equipment amortization	651	646	480	511	(530)
Above figure per share	14c	14c	11c	11c	-
Depreciation and amortization	407	248	165	144	15
Pre-tax operating income	238	397	332	372	(545)
Income taxes	118	23	-	-	-
Non-recurring items	100	-	-	-	(84)
Net earnings	220	374	332	372	(629)
Net earnings per share	5c	8c	7c	8c	-
financial position					
Working capital	387	571	682	354	31
Investments	245	127	-	-	-
Fixed assets — at cost	2,000	1,416	854	706	435
Long-term debt	-	78	346	285	151
Shareholders' equity	2,955	2,733	2,394	2,059	1,687
S.E. per share	62c	58c	53c	45c	37c

ComputrΣx
Centres Ltd.

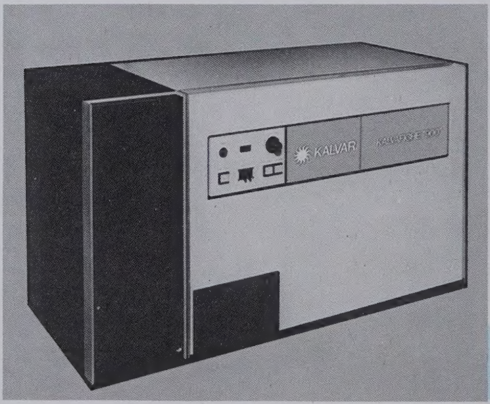
4800 COM SYSTEM



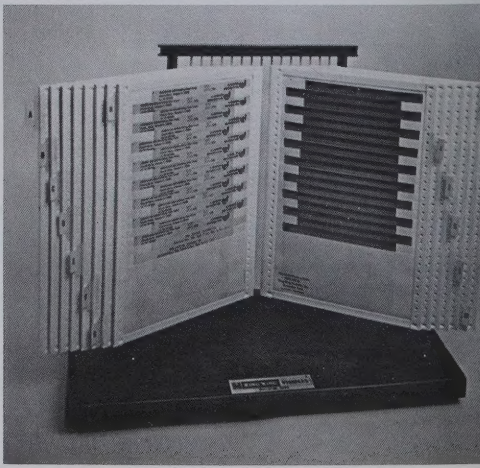
Computer



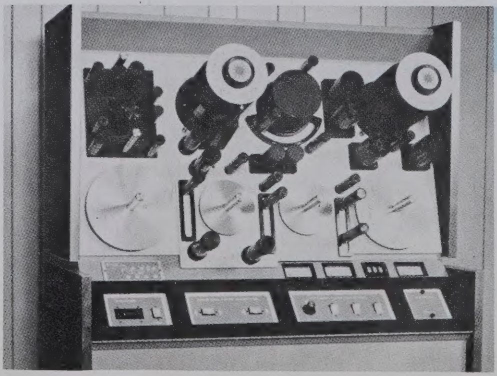
COM Recorder



Microfiche Card to Card Duplicator

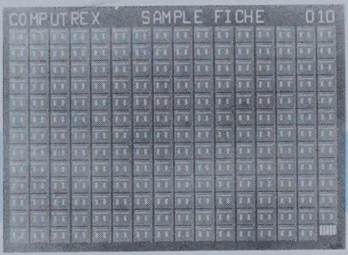


Microfiche Storage

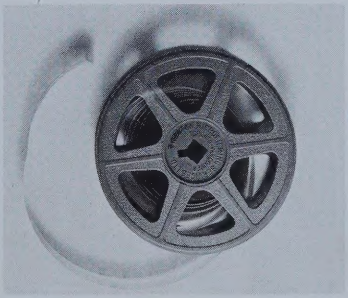


Microfiche Roll to Roll Duplicator

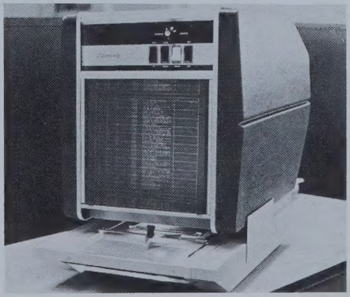
Film
Processor



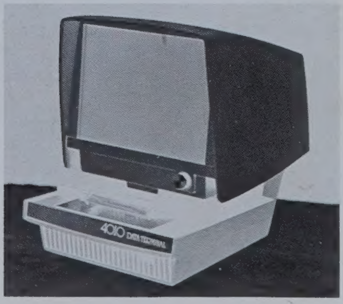
Microfiche



Roll Microfilm



Microfiche Reader/Printer

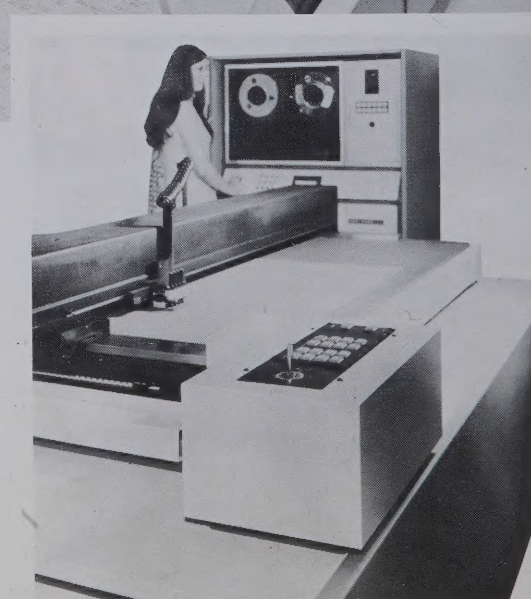


Microfiche Reader

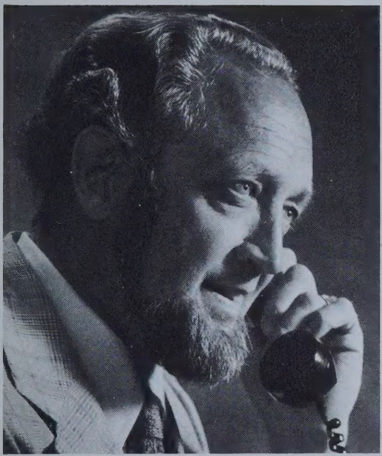
Computrex
Centres Ltd.

COMPUTER GRAPHICS SYSTEMS

High Speed Drum Plotter



Precision Flatbed Plotter



to the shareholders:

Five-Year Review

Since the 1971 year end, which involved a merger between Computrex and Micro Graphics Ltd., Computrex gross income has increased from $676,000 to $3,181,000 for the year ended March 31, 1975. The number of personnel has more than doubled and we have installed COM (Computer Output Microfilm) Centres in eight (8) major Canadian cities. In my 1974 report to the shareholders, I stated that we would establish two COM centres in Ottawa and Calgary — this has been accomplished and indications are that these COM installations could be profitable by 1976 year end.

In the past two years, we have spent approximately $1,150,000 on new assets — a sum in excess of three (3) years previous to that period.

These planned expenditures were made to secure our position in the COM service market and in other areas of Computer Graphics, and consequently, depreciation (non-cash costs) has increased from $248,000 last year to $407,000 this year — a 64% increase. It is, therefore the responsibility of your management to exploit, through marketing, these relatively large capital outlays by improving our gross income and future profits.

Financial Data

With record gross income of $3,181,000, record cash flow of $651,000, but higher depreciation at $407,000 — the resulting pre-tax income was lower at $238,000. Nevertheless, long-term debt is zero — for the first time in history and shareholders equity is nearly 3 million dollars or 62c per share versus 58c per share last year.

Because your company is now fully taxable, our income taxes expense was $118,000 for the current year vs. $23,000 for last year. Our profit per share is down therefore, from 8c per share last year to 5c per share for the current year.

Working capital — considering no long-term debt requirements — is still a respectable $387,000.

Other Developments during 1975

As you may know from the six-month statement, our Vice President, Bill Taylor, was killed in a Hang Glider accident at Frontier Days in Hope, B. C. last September. Although one does not replace a Bill Taylor, we have many of his responsibilities split between several competent individuals and are building a strong Head Office unit to cope with the challenges ahead.

In addition, we terminated a long-standing agreement with Calcomp, but are still very active in the "ink on paper" graphics plotting area. We will make some further announcement regarding this area of interest in the near future.

As for the Incoterm (Intelligent CRT) market, your company reduced its inventory by some $75,000 in a recent agreement with Incoterm. We are now maintaining their hardware across Canada at a profitable margin, which shall grow with time.

Of special note, Computrex acquired additional shares in Lake Louise Lifts Ltd. last year to bring its holdings to 20.3% of the total outstanding shares of that company. This investment cost shows on the balance sheet at approximately $245,000. The replacement value of this now profitable venture is appreciably higher than this amount and as soon as we have their year end statement (Sept. 30/75) we will advise our shareholders.

Following our year end, we also signed COM equipment lease agreements involving six (6) complete systems that will produce a gross income of more than 1.25 million over the next five years.

Future Prospects

Developments in technology in the Data Processing areas in which we are involved are rapid and the impacts, for good or for bad, are difficult to anticipate. We have the strong base, the cash flow, and the expertise in most areas. We are presently concentrating a large percentage of our efforts on a stronger sales force.

These efforts should result in better profits, but qualitative rather than quantitative marketing will be the key to success. One of the main factors in accomplishing greater sales per person is an effective profit sharing plan and sales incentive remuneration plan instituted in the last half of the year.

Computrex can achieve much improved gross revenue with the present qualified personnel and the present asset base. Competition is extremely tough in Canada in a relatively small market. Only those companies with all the right ingredients can survive, and Computrex is just such an organization.

G. M. Kernahan

G. M. Kernahan, P. Eng.
President

Computrex
Centres Ltd.

balance sheet

March 31, 1975 (with comparative figures for 1974)

assets

	1975	1974
CURRENT ASSETS:		
Cash	$ 25,098	35,129
Accounts receivable (Note 3)	704,983	513,680
Inventories — at lower of cost or net realizable value	569,850	565,302
Prepaid expenses and deposits	12,114	24,551
Total current assets	1,312,045	1,138,662
LEASES RECEIVABLE including amounts maturing within one year (Notes 1 and 3)	58,308	197,757
Deduct unearned income	10,065	68,108
Net leases receivable	48,243	129,649
INVESTMENTS, at cost (no quoted market value)	245,919	127,455
RESIDUAL VALUE OF LEASED EQUIPMENT (Note 1)	102,567	103,588
NOTE RECEIVABLE including interest thereon	47,537	40,000
FIXED ASSETS — AT COST LESS ACCUMULATED DEPRECIATION AND AMORTIZATION (Note 3):		
Service bureau equipment	1,472,654	1,168,334
Casual rental equipment	393,519	154,627
Certifying plant	-	16,975
Office furniture	55,105	44,526
Automobiles	15,279	15,265
Leasehold improvements	63,299	16,214
	1,999,856	1,415,941
Deduct accumulated depreciation and amortization	833,589	478,326
	1,166,267	937,615
OTHER ASSETS:		
Unamortized excess cost of subsidiary, subsequently liquidated (Note 2)	918,156	953,356
Goodwill — at cost	25,206	25,206
Cash surrender value of life insurance	47,506	31,446
	990,868	1,010,008
	$3,913,446	3,486,977

liabilities

	1975	1974
CURRENT LIABILITIES:		
Bank loan (secured) (Note 3)	$ 168,479	124,162
Accounts payable and accrued liabilities	510,024	371,060
Current portion of long-term debt (secured) (Note 3)	55,182	49,308
Income taxes payable	191,200	23,500
Total current liabilities	924,885	568,030
LONG-TERM DEBT (Note 3):		
Bank loan	-	76,800
Other	-	1,532
	-	78,332
DEFERRED TAXES	33,300	107,500
SHAREHOLDERS' EQUITY:		
Capital stock (Note 4):		
Common shares of no par value		
Authorized 6,000,000; issued 4,752,600 shares (1974 — 4,746,000 shares)	3,135,333	3,133,023
Contributed surplus	117,503	117,503
Deficit	(297,575)	(517,411)
	2,955,261	2,733,115
COMMITMENTS AND CONTINGENCIES (Note 5)		
	$3,913,446	3,486,977

Approval on behalf of the Board:

G M Kenerlan, Director

Bernard Mandem., Director

See accompanying notes.

Computrex Centres Ltd.

statement of earnings

Year ended March 31, 1975 (with comparative figures for 1974)

	1975	1974
INCOME:		
Sales of supplies, equipment and services	$2,828,318	2,449,580
Equipment rentals earned	246,984	142,740
Investment and other income	24,481	4,220
	3,099,783	2,596,540
EXPENSES:		
Cost of sales and services	1,235,688	1,029,652
Salaries and commissions	761,556	558,043
Equipment rentals	26,709	33,930
Rent — premises	113,235	89,140
Selling expenses	112,084	80,686
Other general and administrative expenses	173,746	117,534
Amortization of excess cost of subsidiary (Note 2)	35,200	35,200
Depreciation and amortization	372,214	212,400
Interest:		
Long-term debt	11,362	34,128
Other	20,486	868
Miscellaneous	-	7,538
	2,862,280	2,199,119
Net earnings before income taxes and extraordinary items	237,503	397,421
INCOME TAXES:		
Current	192,100	240,000
Deferred	(74,200)	-
	117,900	240,000
Net earnings before extraordinary items	119,603	157,421
EXTRAORDINARY ITEMS:		
Income taxes recoverable arising on application of loss carry forward	-	216,500
Proceeds from life insurance policy	100,233	-
NET EARNINGS (Note 6)	$ 219,836	373,921

See accompanying notes.

statement of changes in financial position

Year ended March 31, 1975 (with comparative figures for 1974)

	1975	1974
FUNDS PROVIDED:		
Net earnings before extraordinary items	$ 119,603	157,421
Add charges (credits) not requiring cash:		
Depreciation and amortization	372,214	212,400
Deferred income taxes	(74,200)	-
Amortization of excess cost of subsidiary	35,200	35,200
Loss (gain) on disposal of fixed assets	(784)	630
Funds provided from operations	452,033	405,651
Extraordinary items:		
Income taxes recoverable arising on application of loss carry forward	-	216,500
Proceeds from life insurance policy	100,233	-
Decrease in residual value of leased equipment	1,021	72,963
Proceeds on issue of common shares	2,310	72,450
Increase in other long-term debt	-	140,000
Proceeds on disposal of fixed assets	16,852	12,015
Decrease in net leases receivable	81,406	83,650
Total funds provided	653,855	1,003,229
FUNDS APPLIED:		
Issue of note receivable	-	40,000
Purchase of fixed assets	616,934	525,019
Purchase of investments	118,464	127,455
Interest on note receivable	7,537	-
Decrease in other long-term debt, net of current portion	78,332	65,708
Decrease in notes payable in respect of leases	-	341,487
Increase in cash surrender value of life insurance	16,060	15,879
Total funds applied	837,327	1,115,548
DECREASE IN WORKING CAPITAL	183,472	112,319
WORKING CAPITAL AT BEGINNING OF YEAR	570,632	682,951
WORKING CAPITAL AT END OF YEAR	$ 387,160	570,632

See accompanying notes.

Computrex Centres Ltd.

statement of deficit

Year ended March 31, 1975 (with comparative figures for 1974)

	1975	1974
BALANCE AT BEGINNING OF YEAR, as previously reported	$ 517,411	783,832
RETROACTIVE ADJUSTMENT to provide for deferred income taxes	-	107,500
BALANCE AT BEGINNING OF YEAR, as restated	517,411	891,332
NET EARNINGS FOR THE YEAR	219,836	373,921
BALANCE AT END OF YEAR	$ 297,575	517,411

See accompanying notes.

auditor's report to the shareholders

We have examined the balance sheet of Computrex Centres Ltd. as of March 31, 1975 and the statements of earnings, deficit and changes in the financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as of March 31, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
June 30, 1975

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

notes to financial statements

March 31, 1975

1. ACCOUNTING POLICIES:

(a) Leases receivable:

For leases in effect prior to March 31, 1973, the Company follows the practice of recording the total lease contracts in force and residual value of leased equipment as assets. The excess of the rentals to be received over the cost of the equipment leased, less residual values, is credited to unearned income. The remainder of the unearned income will be transferred to income over the terms of the leases in diminishing monthly amounts on the sum of the digits method based on payments to be made in accordance with the lessees' contractual obligations. The balance of the payments deemed to be made is recorded as recovery of cost of leased equipment.

The leases in effect subsequent to March 31, 1973 are being accounted for by recognizing income in accordance with the lessees' contractual obligation. Similarly the equipment costs are included in fixed assets and accordingly are depreciated on a straight line method.

The lease contracts provide for equal periodic payments to be received over the terms of the leases. Based on leases outstanding at March 31, 1975 and entered into prior to March 31, 1973 the amount of rentals to be received over the remaining year of the leases is $58,308.

(b) Depreciation:

Depreciation is provided on fixed assets as follows:

Classification	Rate	Method
Service bureau equipment	15% and 20%	Straight line
Casual rental equipment	20%	Straight line
Office furniture	20%	Reducing balance
Automobiles	30%	Reducing balance
Leasehold improvements	20%	Straight line

2. EXCESS COST OF SUBSIDIARY (liquidated):

Prior to 1971 the Company acquired all the issued and outstanding shares of Computrex Computer Centres Ltd. (which was subsequently liquidated) in exchange for 2,718,000 shares of the Company having an ascribed value of $1,195,920. The excess of the cost over the underlying net book value of the subsidiary company, less amortization thereon, has been included in the accompanying balance sheet under the heading "Other Assets".

3. BANK LOANS:

The bank loans are secured as follows:

(a) Assignment of certain lease and rental equipment contracts having an aggregate value of approximately $244,022

(b) Chattel mortgages on certain leased and casual rental equipment

(c) General assignment of accounts receivable

The bank loan in respect of lease and rental equipment is repayable monthly to the extent of the monthly receipts from the lessees. During the year ended March 31, 1976 it is estimated that $168,479 will be repaid.

Long-term debt is as follows:

	Current	Long-term	Total
Bank loan, payable $209 per month, secured by chattel mortgage on certain equipment	$ 1,532	-	1,532
Bank loan, payable $5,650 per month, secured by chattel mortgage on certain equipment and a general assignment of accounts receivable	53,650	-	53,650
	$ 55,182	-	55,182

4. CAPITAL STOCK:

During the year the Company issued 6,600 shares for cash aggregating $2,310 under the employee stock option incentive plan.

The Company has reserved 277,400 common shares of its capital stock as follows:

Shares	
100,000	By agreement dated August 12, 1969 the Company granted an option to its underwriter to purchase 100,000 common shares at $2.25 per share during the period from August 1972 to 1979. The option is evidenced by warrants sold for a consideration of $10,000, which amount is included in contributed surplus.
177,400	Under an employee and directors stock option incentive plan the Company reserved 200,000 common shares of the Company. Options will be granted at 35 cents per share exercisable on a non-cumulative basis in equal amounts for a period of not less than three and not more than five years from the date granted.
277,400	

Computrex
Centres Ltd.

notes to financial statements — continued

5. **COMMITMENTS AND CONTINGENCIES:**

The Company is committed to premises and equipment rentals aggregating approximately $359,000 expiring at various dates up to 1980. The rentals with respect to the year ended March 31, 1976 will be approximately $102,900.

6. **EARNINGS PER SHARE:**

	1975	1974
Before extraordinary item	$ 0.03	0.03
Extraordinary item	0.02	0.05
Net earnings	$ 0.05	0.08

The earnings per share figures are calculated using the monthly average of the number of shares outstanding during the respective fiscal year. No dilution of earnings would arise if all the shares reserved for options were exercised.

7. **REMUNERATION:**

The aggregate remuneration of directors and senior officers of the Company for the year ended March 31, 1975 amounted to $68,900.

Statement in accordance with Section 199(2) of
The Companies Act (British Columbia)

The subsidiary companies have had no operations during the year ended March 31, 1975.

As the subsidiary companies are inactive and the accumulated losses of $322,757 have been provided in the accounts of the parent company in prior years, consolidated financial statements have not been presented.

ComputrΣx

SALES & SERVICE CENTRES

LITHOGRAPHED IN CAN